

# CPPGroup Plc: Terms of Reference: Remuneration Committee

## 1 Membership

- 1.1 The Committee shall consist of not less than three members, all of whom shall be Non-Executive Directors. Members of the Committee shall be appointed by the Board;
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the People & Culture Director, other relevant employees and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary;
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further periods of up to three-years, provided the director still meets the criteria for membership of the Committee;
- 1.4 The Board shall appoint the Chairman of the Committee who shall be an independent Non-Executive Director. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.

## 2 Secretary

The Company Secretary, or a nominee, shall be the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner in order to enable full and proper consideration to be given to the issues.

## 3 Quorum

A quorum is two members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## 4 Frequency of Meetings

The Committee will meet with sufficient frequency to fulfill its responsibilities but will normally meet at least twice a year.

## 5 Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member of the Committee;
- 5.2 Unless otherwise agreed notice of each meeting confirming venue, time and date together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee and to attendees as appropriate no later than five working days before the date of the meeting.

## 6 Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance;
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless it would be inappropriate to do so or unless the Committee Chairman otherwise determines.

## **7 Annual General Meeting**

The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

## **8 Authority**

The Committee is authorised by the Board to:

- 8.1 Investigate, or cause to be investigated, any activity within its terms of reference;
- 8.2 Obtain external legal or independent professional advice, at the Company's expense, on matters within its terms of reference.

## **9 Reporting Procedures**

- 9.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 9.3 The Committee shall make its terms of reference publicly available;
- 9.4 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code, are fulfilled and produce, for approval by the Board, an annual Directors' Remuneration Report for inclusion in the Annual Report & Accounts and submission to shareholders for an advisory vote at the AGM.
- 9.5 If the Committee has appointed remuneration consultants, the annual Directors' Remuneration Report should identify such consultants and state whether they have any other connection with the Company;
- 9.6 The Committee will ensure that the Company maintains contact as required with its principal shareholders about remuneration issues and policy.

## **10 Other Matters**

The Committee shall:

- 10.1 Have sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 10.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non-listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as well as guidelines published by the Association of British Insurers, the Investment Management Association and the National Association of Pension Funds, as appropriate;

- 10.4 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11 Duties of the Committee**

### Policy

- 11.1 Determine and recommend to the Board the Company's overall remuneration policy taking account of all factors which are deemed necessary including relevant legal and regulatory requirements, the provisions of the UK Corporate Governance Code and associated guidance. The objective of the policy will be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, and to reward for individual contributions to the success of the Company, having regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long term success of the Company;
- 11.2 Review the ongoing appropriateness and relevance of the remuneration policy and its compliance with relevant legal and regulatory requirements;

### Board and Executive Remuneration

- 11.3 Determine and recommend to the Board the framework for the remuneration of the Chairman, CEO and other Executive Directors, Company Secretary members of the executive committee and other agreed senior executives ("the Approval Group") and in consultation with the Chairman and/or the CEO as appropriate determine the total individual remuneration package of the Approval Group including base salary, bonuses and short and long term incentive arrangements, awards and payments, share awards and performance targets and vesting conditions for any such awards or entitlements and any payments pursuant to any of the above, entitlements under any pension scheme or arrangement, any special bonus, incentive or compensatory award to be made on joining the Company and any payment made or award granted or settled on termination of the employment of any member of the Approval Group.
- 11.4 Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 11.5 The remuneration of Non-Executive Directors shall be a matter for the Chairman and the executive members of the Board. No person shall be involved in any decisions as to their own remuneration;
- 11.6 When setting the remuneration of the Approval Group, review and have regard to the levels of remuneration and terms and conditions across the Company, especially when determining annual salary increases;
- 11.7 Keep under regular review the overall remuneration and structure and policy towards remuneration of the Approval Group

### Approval of Incentive Schemes and Pension Schemes

- 11.8 Approve the rules and design of, determine targets for, any performance related pay schemes operated by the Company and approve the principles of and the total annual payments made under any such Schemes;
- 11.9 Approve the rules and the design of all share incentive plans for approval by the Board and by shareholders and for any such plans determine whether awards should be made and if so the overall amount of such awards and monitor the conditions attached to those awards and approve any vesting entitlements;

- 11.10 Determine the policy for, scope of pension arrangements for the Approval Group and levels of entitlement for all employees in the Company;

Remuneration Policy for all employees

- 11.11 Determine and keep under review the policy and structure of remuneration and contractual terms of employment for all employees in the business and approve any major changes in employee benefits structures and arrangements throughout the Company;

Remuneration Consultants

- 11.12 To help it fulfil its obligations the Committee shall have authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;

- 11.13 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

Expenses for the Approval Group

- 11.14 Agree the policy for authorising claims for expenses by members of the Approval Group;

**Approved by the CPP Group PLC Board on 27 September 2016**